

VZCZCXR08232
PP RUEHDH RUEHDIR
DE RUEHDE #0165 1030943
ZNY CCCCC ZZH
P R 130943Z APR 09
FM AMCONSUL DUBAI
TO RUEHC/SECSTATE WASHDC PRIORITY 6469
INFO RUEHAD/AMEMBASSY ABU DHABI 3502
RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE
RUEHDE/AMCONSUL DUBAI 9740

C O N F I D E N T I A L DUBAI 000165

SIPDIS

DEPARTMENT FOR NEA/ARP/BMASILKO; CA/OCS/NEA FOR ERIN STOTT

E.O. 12958: DECL: 4/13/2019

TAGS: [EFIN](#) [PGOV](#) [KCOR](#) [ECON](#) [CASC](#) [KCRM](#) [AE](#)

SUBJECT: FORMER MINISTER OF STATE CHARGED WITH CORRUPTION

REF: A) 08 DUBAI 358 B) 08 ABU DHABI 851

CLASSIFIED BY: Paul Sutphin, Consul General, Consulate General
Dubai, UAE.

REASON: 1.4 (d)

¶1. (C) Summary and Comment: On April 8, Dubai Public Prosecution charged, as the primary defendant, former Minister of State for Finance and former chairman of Dubai Islamic Bank (DIB) Mohammed Khalfan Al Kharbash with embezzlement of public funds and harming of state interests. Zack Shahin, AMCIT and former CEO of property developer Deyaar, was charged with criminal complicity and receiving bribes as the secondary defendant. This case has been under investigation for over a year. During this time, and despite the linkage of the cases, Shahin has been incarcerated while Kharbash has been under de facto house arrest -- leaving room for speculation on whether a senior Emirati would be charged in the scandal and if the Dubai government would put real teeth behind public pronouncements of "zero tolerance" for corruption. The charges against Kharbash mark a significant step by Dubai to demonstrate publicly efforts to reduce corruption and, possibly, increase confidence in the ability of Dubai's legal system to cope with illicit activity surfaced by the current financial crisis. End Summary and Comment.

¶2. (C) Kharbash was charged, along with eleven other individuals, including Shahin, with financial wrongdoing at Deyaar Development Company prior to April 2008 (ref A). On April 8, 2009 Shahin told Consular officers that Kharbash is charged with embezzling AED 56 million in government funds. Shahin is charged with aiding Kharbash, with the accusation that his year-end bonuses and stock options from Deyaar are tantamount to payoffs for illicit activity. The current investigations have also led to a second criminal investigation implicating former Deyaar board member Saad Adbulrazzak in defrauding Deyaar of approximately AED 115 million by buying land and re-selling it to the company for a substantial mark-up.

Shahin was arrested on March 23, 2008 last year and has been in police custody since; Abdulrazzak is also in custody, while Kharbash remains under unofficial "house arrest."

¶3. (C) Comment: Kharbash is the highest-profile Emirati official to be charged in several years for financial corruption, and as such his case merits scrutiny regarding the seriousness of stated UAEG and, particularly, Dubai government stated intentions to root out any corrupt activity exposed by the financial crisis. UAE Minister for Cabinet Affairs (and top aide to MbR) Mohammed Gergawi has told us several times that no one would be immune if found to have dirty hands; Kharbash's prosecution is the first serious indication of such an approach.

As such, it may also play a positive role regarding in boosting the credibility of Dubai's legal system to cope with illicit financial activity surfaced by the current economic crisis.

End Comment.

SUTPHIN